

ROCKFORD HOUSING COMMISSION  
ROCKFORD, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Rockford Housing Commission	County* KENT	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* September 14, 2001	Audit Submitted-Use Calendar* September 30, 2001	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? \$715,339
General Fund Expenditure:	? \$742,297
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$1,277,852
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 59 S. Main Street	Unit's City* Rockford	Unit's Zip* 49341	

ROCKFORD HOUSING COMMISSION  
**TABLE OF CONTENTS**  
March 31, 2008

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-11
Basic Financial Statements:	
Statement of Net Assets	12-13
Statement of Revenue, Expenses, and Changes in Net Assets	14
Statement of Cash Flows	15-16
Notes to Basic Financial Statements	17-27
 SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	28-29
Combining Statement of Revenues, Expenses, and and Changes in Net Assets By Program	30
Combining Statement of Cash Flows By Program	31-32
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	33
Financial Data Schedule	34-37
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-40
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	41-43
Status of Prior Audit Findings	44
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor Results	45
Section II - Financial Statement Findings	46-47
Section III - Federal Awards Findings	48
 CORRECTIVE ACTION PLAN	49
 ADJUSTING JOURNAL ENTRIES	50

## INTRODUCTION

*Independent Auditor's Report*

Board of Commissioners  
Rockford Housing Commission  
Rockford, Michigan

I have audited the accompanying financial statements of the business-type activities of Rockford Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Rockford Housing Commission, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rockford Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated September 14, 2008, on my consideration of Rockford Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 11, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Rockford Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Rockford Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 14, 2008

**Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Unaudited)**

As management of the Rockford Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Rockford Housing Commission's financial activities for the fiscal year ended March 31, 2008. This discussion and analysis letter of the Rockford Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2008 were \$1,277,852. The net assets increased by \$17,743, an increase of 1.41% over the prior year.

Revenues and contributions for the Commission were \$760,040 for the fiscal year ended March 31, 2008. This was a decrease of \$13,429 or 1.7% from the prior year.

Expenses for the Commission were \$742,297 for the fiscal year ended March 31, 2008. This was an increase of \$40,441 or 5.8% over the prior year.

HUD operating grants were \$517,995 for the fiscal year ended March 31, 2008. This was a decrease of \$61,232 or 10.6% from the prior year. Capital contributions were \$44,701 for the fiscal year ended March 31, 2008. This was an increase of \$40,668 or 1,008% over the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented

**Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Continued)**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

as fund financial statements because the Commission only has proprietary funds.

**Required Financial Statements**

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

**Supplemental Information**

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.



**Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Continued)**

**FUND STATEMENTS**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Rockford Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly, disability, near elderly, and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income or a flat rent.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Commission is considered a "small" PHA. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$1,277,852 at the close of the fiscal year ended March 31, 2008 an increase from \$1,260,109 in 2006. The increase in net assets of \$17,743 was due to the change in net assets of \$17,743 for the fiscal year.

The unrestricted net assets were \$1,006,602 as of March 31, 2008. This amount may be used to meet the Commission's ongoing obligations. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of

Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS  
March 31,

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Current and other assets	\$ 637,522	\$ 587,062	\$ 50,460	8.60%
Capital assets	<u>681,809</u>	<u>715,303</u>	<u>( 33,494)</u>	<u>( 4.68)%</u>
Total Assets	<u>1,319,331</u>	<u>1,302,365</u>	<u>16,966</u>	<u>1.30%</u>
Current liabilities	29,510	31,966	( 2,456)	( 7.68)%
Noncurrent liabilities	<u>11,969</u>	<u>10,290</u>	<u>1,679</u>	<u>16.32%</u>
Total Liabilities	<u>41,479</u>	<u>42,256</u>	<u>( 777)</u>	<u>( 1.84)%</u>
Net Assets:				
Invested in capital assets	681,809	715,303	( 33,494)	( 4.68)%
Unrestricted	<u>596,043</u>	<u>544,806</u>	<u>51,237</u>	<u>9.40%</u>
Total Net Assets	<u>\$1,277,852</u>	<u>\$1,260,109</u>	<u>\$ 17,743</u>	<u>1.41%</u>

The current assets increase of \$50,460, was due mostly, to the positive cash flows of \$50,039 of which \$36,500 came from operating activities. Current liabilities decreased slightly by \$2,456, in part, due to a reduction of \$3,878 in trade accounts payable from the prior year. Long-term compensated absences increased by \$1,679 over the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Continued)

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
March 31,**

As can be seen in the following table total revenues and contributions decreased by \$13,429. Tenant rents increased by \$6,769 due to incomes of the tenants increasing. Federal grant assistance decreased by \$20,564 due to the prior year expending more than one year's grant monies and a lower leaseup rate in the Voucher program.

	<u>2008</u>	<u>2007</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
<b>Revenues and contributions</b>				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 179,149	\$ 172,576	\$ 6,573	3.8%
Nondwelling rent	<u>2,548</u>	<u>2,352</u>	<u>196</u>	8.3%
Total PHA generated Revenue	181,697	174,928	6,769	3.9%
HUD operating grants	517,995	579,227	(61,232)	(10.6)%
Capital contributions	44,701	4,033	40,668	1,008%
Other income	3,999	4,033	( 34)	( 0.8)%
Interest income	<u>11,648</u>	<u>11,248</u>	<u>400</u>	3.6%
<b>Total Revenues and Contributions</b>	<u>760,040</u>	<u>773,469</u>	<u>(13,429)</u>	<u>( 1.7)%</u>
<b>Expenses</b>				
Personnel services	123,205	114,540	8,665	7.6%
Utilities	61,482	61,637	( 155)	( 0.3)%
Operations and maintenance	36,193	32,077	4,116	12.8%
Insurance	11,135	11,636	( 501)	( 4.3)%
Payments in lieu of taxes	10,473	9,850	623	6.3%
Other supplies and expenses	21,548	18,798	2,750	14.6%
Housing Assistance Payments	399,227	369,254	29,973	8.1%
Depreciation	<u>79,034</u>	<u>84,064</u>	<u>( 5,030)</u>	<u>( 6.0)%</u>
<b>Total Expenses</b>	<u>742,297</u>	<u>701,856</u>	<u>40,441</u>	5.8%
Change in net assets	17,743	71,613	( 53,870)	
Beginning net assets	<u>1,260,109</u>	<u>1,188,496</u>	<u>71,613</u>	
Ending net assets	<u>\$1,277,852</u>	<u>\$1,260,109</u>	<u>\$ 17,743</u>	

**Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Continued)**

**FINANCIAL ANALYSIS (CONTINUED)**

*Revenues:*

Rockford Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended March 31, 2008 for Public Housing, capital contributions, and Section 8 Housing Choice Voucher decreased from fiscal year ending March 31, 2007 to March 31, 2008 by \$20,564. For fiscal year ending March 31, 2008, revenue generated by the Commission accounted for \$181,697 (or 24% of total revenue), while HUD contributions accounted for \$562,696 (or 74% of total revenue).

*Expenses:*

Total Expenses for the fiscal ending March 31, 2008 were \$742,297 while for the fiscal year ending March 31, 2007 they were \$701,856. This represents an 5.8% increase in our operating costs. The expenses increased, in part, because the Housing Choice Voucher HAP (housing assistance payments) payments increased by \$29,973 over the prior year due to the tenants incomes decreasing this fiscal year, therefore causing payments to landlords to increase. Personnel costs increased by \$8,665 due to cost of living raises and employee benefits increasing due to inflation. Operations and maintenance costs increased, in part, due to the increase materials purchases of \$2,465 over the prior year. Other supplies and expenses increased \$2,750, in part, due to staff training costs increasing by \$1,470, office supplies increased by \$461, and postage increasing by \$516 over the prior year.

The following represents changes in Federal Assistance received:

	<u>03/31/08</u>	<u>03/31/07</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing				
Operating Subsidy	\$ 50,047	\$ 47,207	\$ 2,840	6.0%
Capital Fund Program				
Grants	54,573	64,826	( 10,253)	(15.8)%
Section 8 Housing				
Choice Voucher				
Program	<u>458,076</u>	<u>471,227</u>	<u>( 13,151)</u>	<u>( 2.8)%</u>
Total	<u>\$ 562,696</u>	<u>\$ 583,260</u>	<u>\$ ( 20,564)</u>	<u>( 3.5)%</u>

**Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Continued)**

**FINANCIAL ANALYSIS (CONTINUED)**

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 decreased due to HUD's new method disbursing voucher monies. The subsidy for Public Housing increased mainly due funding now being on a calendar basis. The decrease in the Capital Fund Program was due to the use of one year's capital fund monies compared to the prior year when more than one year's capital fund monies were necessary.

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2008 was presented to and approved by the Board of Commissioners.

**OPERATIONAL HIGHLIGHTS**

The Rockford Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Low Rent Public Housing	52	52
Sec. 8 Housing Choice Voucher	90	90

During the fiscal year ending March 31, 2008, Rockford Housing Commission maintained a lease-up rate of 98.1% in its Public Housing Program and a lease-up rate of 83.8% in its Section 8 program.

**CAPITAL ASSETS**

During the fiscal year ending March 31, 2008, our Capital Fund Program work projects included:

Storage shelving, carpet for common areas, thermostats, carpeting, fireproof file cabinet, ranges and refrigerators, a dishwasher, and training for staff members.

Capital projects planned for the next fiscal year include painting, landscaping, copier, and training.

The Rockford Housing Commission's investment in capital assets, as of March 31, 2008 amounts to \$4,034,515 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Continued)**

**Capital Assets (Continued)**

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION March 31,			
	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>
Land	\$ 23,764	\$ 23,764	\$
Buildings	755,030	746,117	8,913
Furniture, equipment and machinery - dwellings	57,493	53,512	3,981
Furniture, equipment and machinery - administration	113,838	105,025	8,813
Building improvements	<u>1,338,865</u>	<u>1,315,035</u>	<u>23,830</u>
	2,288,990	2,243,453	45,537
Accumulated depreciation	<u>(1,607,181)</u>	<u>(1,528,150)</u>	<u>( 79,031)</u>
Total	<u>\$ 681,809</u>	<u>\$ 715,303</u>	<u>\$ ( 33,494)</u>

Capital assets decreased by \$33,494, because capital outlays of \$45,540, depreciation of \$79,034 and a \$3 adjustment to accumulated depreciation explains why there is a \$3 difference.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

Rockford Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Continued)

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Karen C. Harig, Executive Director  
59 S. Main Street  
Rockford, MI 49341

## FINANCIAL STATEMENTS



ROCKFORD HOUSING COMMISSION  
**STATEMENT OF NET ASSETS**  
March 31, 2008  
=====

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 378,913
Receivables, net	15
Investments	250,580
Prepaid expenses	<u>8,014</u>
Total Current Assets	<u>637,522</u>
Capital Assets:	
Land	23,764
Buildings	755,030
Equipment	171,331
Building improvements	<u>1,338,865</u>
	2,288,990
Less: accumulated depreciation	<u>( 1,607,181)</u>
Net Capital Assets	<u>681,809</u>
Total Assets	<u><u>\$ 1,319,331</u></u>

See notes to financial statements

ROCKFORD HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
March 31, 2008  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 3,177
Accounts payable-other government	10,473
Tenant security deposit liability	6,270
Accrued expenses	8,094
Deferred revenues	<u>1,496</u>
Total Current Liabilities	29,510
Noncurrent liabilities:	
Accrued compensated absences	<u>11,969</u>
Total Liabilities	<u>41,479</u>
Net Assets:	
Invested in capital assets	681,809
Unrestricted net assets	<u>596,043</u>
Total Net Assets	<u>1,277,852</u>
Total Liabilities and Net Assets	<u><u>\$ 1,319,331</u></u>

See notes to financial statements

ROCKFORD HOUSING COMMISSION  
**STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS**  
 Year Ended March 31, 2008  
 =====

**OPERATING REVENUES:**

Dwelling rent	\$ 179,149
Nondwelling rent	2,548
Operating grants	<u>517,995</u>

Total operating revenues	<u>699,692</u>
--------------------------	----------------

**OPERATING EXPENSES:**

Administration	107,794
Tenant services	1,837
Utilities	61,482
Ordinary maintenance and operation	60,488
General expenses	22,657
Extraordinary maintenance	9,778
Housing assistance payments	399,227
Depreciation	<u>79,034</u>

Total operating expenses	<u>742,297</u>
--------------------------	----------------

Operating income(loss)	<u>( 42,605)</u>
------------------------	------------------

**NONOPERATING REVENUES:**

Investment interest income	11,648
Fraud recovery	850
Other income	<u>3,149</u>

Total nonoperating revenues	<u>15,647</u>
-----------------------------	---------------

**CAPITAL CONTRIBUTIONS**

	<u>44,701</u>
--	---------------

Change in net assets	17,743
----------------------	--------

Net assets, beginning	<u>1,260,109</u>
-----------------------	------------------

Net assets, ending	<u><u>\$ 1,277,852</u></u>
--------------------	----------------------------

See notes to financial statements

ROCKFORD HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2008  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 181,853
Cash received from operating grants	517,995
Cash payments to other suppliers of goods and services	( 533,013)
Cash payments to employees for services	( 120,485)
Cash payments for in lieu of taxes	<u>( 9,850)</u>
Net cash provided by operating activities	<u>36,500</u>

**CASH FLOWS FROM NONCAPITAL**

**FINANCING ACTIVITIES:**

Tenant security deposits	( 200)
Fraud recovery	850
Other revenue	<u>3,149</u>
Net cash provided by noncapital financing activities	<u>3,799</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital grants	44,701
Payments for capital acquisitions	<u>( 45,540)</u>
Net cash (used) by capital and related financing activities	<u>( 839)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments increased by	( 1,069)
Receipts of interest and dividends	<u>11,648</u>
Net cash provided by investing activities	<u>10,579</u>

Net increase(decrease) in cash	50,039
Cash and cash equivalents, beginning	<u>328,874</u>
Cash and cash equivalents, ending	<u>\$ 378,913</u>

ROCKFORD HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended March 31, 2008  
=====

RECONCILIATION OPERATING INCOME(LOSS)  
TO NET CASH PROVIDED BY OPERATING  
ACTIVITIES:

Operating income(loss)	\$( 42,605)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	79,034
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	198
Prepaid expenses	450
Increase (decrease) in liabilities:	
Accounts payable	( 3,878)
Accrued wage/payroll taxes payable	622
Accrued compensated absences	2,098
Accounts payable-PILOT	623
Deferred revenues	<u>( 42)</u>
Net cash provided by operating activities	<u>\$ 36,500</u>

See notes to financial statements

ROCKFORD HOUSING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
March 31, 2008  
=====

**NOTE 1: Summary of Significant Accounting Policies**

Rockford Housing Commission (the Housing Commission) is a component unit of the City of Rockford, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Rockford on March 11, 1968, consisting of a five member board appointed by the City Manager. The Housing Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government:           Rockford Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

## **1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

## **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current

## **1(c) Measurement Focus and Basis of Accounting (Continued)**

### **Measurement Focus (Continued)**

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

## **1(d) Assets, Liabilities, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.



## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Commission adopts a formal operating budget each year for it's operating programs and on a project length basis for it's capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

### **Estimates and Assumptions**

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20 - 40 years
Building improvements	20 - 40 years
Equipment and furnishings	5 - 7 years

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### **Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

## **1(e) Revenues, Expenditures, and Expenses (Continued)**

### **Income Taxes**

The Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

### **NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

#### **2(a) Program Accounting Requirements**

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

#### **2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing

Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

#### **2(c) Revenue Restrictions**

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<b>Revenue Source</b>	<b>Legal Restrictions of Use</b>
Capital Fund Program	Modernization

## 2(c) Revenue Restrictions (Continued)

For the year ended March 31, 2008, the Housing Commission complied, in all material respects, with these revenue restrictions.

### NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

## 3(a) Cash and Investments

### Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 374,798	\$ 374,798	\$	\$	\$ 373,127
Savings	5,736	5,736			5,736
	<u>\$ 380,534</u>	<u>\$ 380,534</u>	<u>\$</u>	<u>\$</u>	<u>\$ 378,863</u>

### Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or

### 3(a) Cash and Investments (Continued)

#### Investments (Continued)

registered and upon who holds the security at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificates of deposits	\$ 80,766	\$	\$	\$ 80,766	\$ 80,766
Governmental funds	<u>169,814</u>	<u></u>	<u></u>	<u>169,814</u>	<u>169,814</u>
	<u>\$ 250,580</u>	<u>\$</u>	<u>\$</u>	<u>\$ 250,580</u>	<u>\$ 250,580</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Petty cash	\$ 50
Carrying amount of deposits	378,863
Investments	<u>250,580</u>
Total	<u>\$ 629,493</u>
Cash and investments:	
Enterprise activities	\$ 631,165
Enterprise activities - checks written in excess of deposits	<u>( 1,672)</u>
Total	<u>\$ 629,493</u>

### 3(b) Receivables

Receivables detail at March 31, 2008, is as follows:

Tenant accounts receivable	\$ 5
Miscellaneous	<u>10</u>
	<u>\$ 15</u>

### 3(c) Capital Assets

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Balance</u> <u>03/31/07</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/08</u>
<b>Low Rent Program</b>				
Land	\$ 23,764	\$	\$	\$ 23,764
Buildings	743,783			743,783
Furniture, equip. & machinery - dwellings	53,512			53,512
Furniture, equip. & machinery - administration	80,057	837		80,894
Building improvements	<u>1,315,035</u>	<u></u>	<u></u>	<u>1,315,035</u>
	2,216,151	<u>\$ 837</u>	<u>\$</u>	2,216,988
Less accumulated depreciation	<u>(1,504,800)</u>	<u>\$ ( 77,812)</u>	<u>\$</u>	<u>(1,582,612)</u>
Total	<u>\$ 711,351</u>			<u>\$ 634,376</u>
<b>Capital Fund Program</b>				
Buildings	\$ 2,334	\$ 8,913	\$	\$ 11,247
Furniture, equip. & machinery - dwellings		3,981		3,981
Furniture, equip. & machinery - administration	1,699	7,976		9,675
Building improvements	<u>4,033</u>	<u>23,830</u>	<u></u>	<u>23,830</u>
		<u>\$ 44,700</u>	<u>\$</u>	48,733
Less accumulated depreciation	<u>( 81)</u>	<u>\$ ( 1,300)</u>	<u>\$ 81</u>	<u>( 1,300)</u>
Total	<u>\$ 3,952</u>			<u>\$ 47,433</u>
<b>Housing Choice Voucher Program</b>				
Furniture, equip. & machinery - administration	\$ 23,269	\$	\$	\$ 23,269
Less accumulated depreciation	<u>( 23,269)</u>	<u>\$</u>	<u>\$</u>	<u>( 23,269)</u>
Total	<u>\$</u>			<u>\$</u>
<b>Combined Totals</b>				<u>\$ 681,809</u>

### **3(d) Accrued Expenses**

Accrued expense detail at March 31, 2008, is as follows:

Accrued wages/payroll taxes	\$ 5,102
Accrued compensated absences-current portion	<u>2,992</u>
	<u>\$ 8,094</u>

### **3(e) Non-current Liabilities**

As of March 31, 2008, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	<u>\$ 11,969</u>
--	------------------

### **3(f) Interprogram Transactions and Balances**

#### *Operating Transfers*

There was a \$9,792 operating transfer from the capital fund program to the low rent program during the fiscal year ended March 31, 2008.

#### *Interprogram Receivable/Payable*

There were no interprogram receivable or payables between programs.

### **NOTE 4: Other Notes**

#### **4(a) Employee Retirement Plan**

The Housing Commission contributes to a S.E.P. retirement plan for its employees. Annual contributions are 5% of employee earnings and the employee is 100% vested immediately. The Housing Commission contributed \$5,088 during the fiscal year. By regulation, a S.E.P. plan must cover every employee who has attained the age of 21, has performed service for the Housing Commission in at least three of the preceding five years, and receives at least \$300 (indexed for inflation) of compensation in the current years. Employees are free to withdraw their contributions without restrictions, but penalties for early withdrawal apply.

#### **4(b) Risk Management**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

#### 4(b) Risk Management (Continued)

Type of Loss	Method Managed
a. Commercial liability and public officials liability	Purchased insurance from Western Insurance Agency.
b. Injuries to employees (workers' compensation)	Purchased from Accident Fund Company.
c. Commercial property, terrorism, blanket employee dishonesty, forgery	Purchased commercial insurance from Western Insurance Agency.
d. Health	Purchased from Grand Valley Health Plan.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

#### 4(c) Commitments and Contingencies

##### Commitments - Construction

At March 31, 2008, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 58,605	\$ 58,605
2006 CFP	56,226	-
2007 CFP	54,631	-
2008 CFP	57,661	-

##### Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.



## SUPPLEMENTARY INFORMATION

ROCKFORD HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
**BY PROGRAM**  
 March 31, 2008  
 =====

C-3010 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
---	---

**ASSETS**

Current assets:		
Cash and cash equivalents	\$ 264,359	\$
Receivables:		
Tenants-miscellaneous		
Tenants-dwelling rents	5	
Investments-unrestricted	250,580	
Prepaid expenses	<u>8,014</u>	
Total current assets	<u>522,958</u>	
Capital assets:		
Land	23,764	
Buildings	743,783	11,247
Equipment	134,406	13,656
Building improvements	<u>1,315,035</u>	<u>23,830</u>
	2,216,988	48,733
Less accumulated depreciation	<u>( 1,582,612)</u>	<u>( 1,300)</u>
Net capital assets	<u>634,376</u>	<u>47,433</u>
Total Assets	<u>\$ 1,157,334</u>	<u>\$ 47,433</u>

Housing Choice Vouchers 14.871	Totals
\$ 114,554	\$ 378,913
10	10
	5
	250,580
	8,014
<u>114,564</u>	<u>637,522</u>
	23,764
	755,030
23,269	171,331
	<u>1,338,865</u>
<u>23,269</u>	2,288,990
( 23,269)	( 1,607,181)
	<u>681,809</u>
<u>\$ 114,564</u>	<u>\$ 1,319,331</u>

ROCKFORD HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
**BY PROGRAM (CONTINUED)**  
 March 31, 2008  
 =====

	C-3010 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 3,177	\$
Accounts payable-other government	10,473	
Tenant security deposit liability	6,270	
Accrued expenses	8,094	
Deferred revenues	<u>1,496</u>	
Total current liabilities	29,510	
Noncurrent liabilities:		
Accrued compensated absences	<u>11,969</u>	
Total liabilities	<u>41,479</u>	
Net Assets:		
Invested in capital assets	634,376	47,433
Unrestricted net assets	<u>481,479</u>	
Total net assets	<u>1,115,855</u>	<u>47,433</u>
Total Liabilities and Net Assets	<u>\$1,157,334</u>	<u>\$ 47,433</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 3,177
	10,473
	6,270
	8,094
	<u>1,496</u>
	29,510
	<u>11,969</u>
	<u>41,479</u>
	681,809
<u>114,564</u>	<u>596,043</u>
<u>114,564</u>	<u>1,277,852</u>
<u>\$ 114,564</u>	<u>\$ 1,319,331</u>

ROCKFORD HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS BY PROGRAM**  
 Year Ended March 31, 2008  
 =====

	C-3010 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 179,149	\$
Nondwelling rent	2,548	
Operating grants	<u>50,047</u>	<u>9,872</u>
Total operating revenues	<u>231,744</u>	<u>9,872</u>
<b>OPERATING EXPENSES:</b>		
Administration	73,897	
Tenant services	1,837	
Utilities	61,482	
Ordinary maintenance and operation	60,488	
General expenses	21,979	
Extraordinary maintenance	9,778	
Housing assistance payments		
Depreciation	<u>77,734</u>	<u>1,300</u>
Total operating expenses	<u>307,195</u>	<u>1,300</u>
Operating income(loss)	<u>( 75,451)</u>	<u>8,572</u>
<b>NONOPERATING REVENUES(EXPENSES) :</b>		
Operating transfers in(out)	9,792	( 9,792)
Investment interest income	11,648	
Fraud recovery		
Other income	<u>3,149</u>	<u>          </u>
Total nonoperating revenues (expenses)	<u>24,589</u>	<u>( 9,792)</u>
<b>CAPITAL CONTRIBUTIONS</b>		<u>44,701</u>
Change in net assets	( 50,862)	43,481
Net assets, beginning	<u>1,166,717</u>	<u>3,952</u>
Net assets, ending	<u><u>\$1,115,855</u></u>	<u><u>\$ 47,433</u></u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$
	179,149
	2,548
<u>458,076</u>	<u>517,995</u>
<u>458,076</u>	<u>699,692</u>
33,897	107,794
	1,837
	61,482
	60,488
678	22,657
	9,778
399,227	399,227
<u>          </u>	<u>79,034</u>
<u>433,802</u>	<u>742,297</u>
<u>24,274</u>	<u>( 42,605)</u>
	11,648
850	850
<u>          </u>	<u>3,149</u>
<u>850</u>	<u>15,647</u>
<u>          </u>	<u>44,701</u>
25,124	17,743
<u>89,440</u>	<u>1,260,109</u>
<u>\$ 114,564</u>	<u>\$ 1,277,852</u>

ROCKFORD HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM

Year Ended March 31, 2008

=====

	C-3010 Low Rent Program 14.850a	Capital Fund Program 14.872
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 181,853	\$
Cash received from operating grants	50,047	9,872
Cash payments to other suppliers of goods and services	( 129,163)	
Cash payments to employees for services	( 90,533)	
Cash payments for in lieu of taxes	( 9,850)	
Net cash provided by operating activities	<u>2,354</u>	<u>9,872</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in(out)	9,792	( 9,792)
Tenant security deposits	( 200)	
Fraud recovery		
Other revenue	<u>3,149</u>	
Net cash provided (used) by noncapital financing activities	<u>12,741</u>	<u>( 9,792)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		44,701
Payments for capital acquisitions	<u>( 759)</u>	<u>( 44,781)</u>
Net cash provided (used) by capital and related financing activities	<u>( 759)</u>	<u>( 80)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments increased by	( 1,069)	
Receipts of interest and dividends	<u>11,648</u>	
Net cash provided by investing activities	<u>10,579</u>	
Net increase(decrease) in cash	24,915	
Cash and cash equivalents, beginning	<u>239,444</u>	
Cash and cash equivalents, ending	<u>\$ 264,359</u>	<u>\$</u>



Housing Choice Vouchers 14.871	Totals
\$ 458,076	\$ 181,853
( 403,850)	( 517,995)
( 29,952)	( 533,013)
	( 120,485)
	( 9,850)
24,274	36,500
850	( 200)
	850
	3,149
850	3,799
	44,701
	( 45,540)
	( 839)
	( 1,069)
	11,648
	10,579
25,124	50,039
89,430	328,874
\$ 114,554	\$ 378,913

ROCKFORD HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM (CONTINUED)

Year Ended March 31, 2008

=====

	C-3010 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>(LOSS) TO NET CASH PROVIDED BY</b>		
<b>OPERATING ACTIVITIES:</b>		
Operating income(loss)	\$( 75,451)	\$ 8,572
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	77,734	1,300
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	198	
Prepaid expenses	450	
Increase (decrease) in liabilities:		
Accounts payable	( 3,878)	
Accrued wage/payroll taxes payable	622	
Accrued compensated absences	2,098	
Accounts payable-PILOT	623	
Deferred revenues	( 42)	
Net cash provided by operating activities	<u>\$ 2,354</u>	<u>\$ 9,872</u>

Housing Choice Vouchers 14.871	Totals
\$ 24,274	\$ ( 42,605)
	79,034
	198
	450
	( 3,878)
	622
	2,098
	623
	( 42)
<u>\$ 24,274</u>	<u>\$ 36,500</u>

ROCKFORD HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended March 31, 2008  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2008	Low Rent Public Housing	14.850a	\$ 50,047
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2008	Housing Choice Vouchers	14.871	458,076
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2008	Capital Fund Program	14.872	<u>54,573</u>
	Total		<u>\$ 562,696</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ROCKFORD HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE**

Year Ended March 31, 2008

=====

FDS Line Item No.		C-3010 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 258,089	\$
114	Cash-tenant security deposits	<u>6,270</u>	<u>          </u>
100	Total cash	<u>264,359</u>	<u>          </u>
	Receivables:		
125	A/R-miscellaneous		
126	A/R-tenants-dwelling rents	<u>5</u>	<u>          </u>
120	Total receivables, net of allowance for doubtful accounts	<u>5</u>	<u>          </u>
131	Investments-unrestricted	<u>250,580</u>	<u>          </u>
	Other Current Assets:		
142	Prepaid expenses and other assets	<u>8,014</u>	<u>          </u>
	Total other current assets	<u>8,014</u>	<u>          </u>
150	Total current assets	<u>522,958</u>	<u>          </u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	23,764	
162	Buildings	743,783	11,247
163	Furn, equip & mach-dwellings	53,512	3,981
164	Furn, equip & mach-admin.	80,894	9,675
165	Building improvements	1,315,035	23,830
166	Accumulated depreciation	<u>(1,582,612)</u>	<u>( 1,300)</u>
160	Total fixed assets, net of accumulated depreciation	<u>634,376</u>	<u>47,433</u>
180	Total noncurrent assets	<u>634,376</u>	<u>47,433</u>
190	Total Assets	<u>\$ 1,157,334</u>	<u>\$ 47,433</u>

Housing Choice Vouchers 14.871	Totals
\$ 114,554	\$ 372,643
	6,270
<u>114,554</u>	<u>378,913</u>
10	10
	5
<u>10</u>	<u>15</u>
	<u>250,580</u>
	8,014
	8,014
<u>114,564</u>	<u>637,522</u>
	23,764
	755,030
	57,493
23,269	113,838
	1,338,865
<u>( 23,269)</u>	<u>( 1,607,181)</u>
	681,809
	681,809
<u>\$ 114,564</u>	<u>\$ 1,319,331</u>

ROCKFORD HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2008  
=====

FDS Line Item No.		C-3010 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 3,177	\$
321	Accrued wage/payroll taxes payable	5,102	
322	Accrued compensated absences-current portion	2,992	
333	Accounts payable-other government	10,473	
341	Tenant security deposits	6,270	
342	Deferred revenues	<u>1,496</u>	
310	Total current liabilities	29,510	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>11,969</u>	
300	Total liabilities	<u>41,479</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>634,376</u>	<u>47,433</u>
508	Total invested in capital assets	634,376	47,433
512.1	Unrestricted net assets	<u>481,479</u>	
513	Total Net Assets	<u>1,115,855</u>	<u>47,433</u>
600	Total Liabilities and Net Assets	<u>\$ 1,157,334</u>	<u>\$ 47,433</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 3,177
	5,102
	2,992
	10,473
	6,270
	<u>1,496</u>
	29,510
	<u>11,969</u>
	<u>41,479</u>
	<u>681,809</u>
	681,809
<u>114,564</u>	<u>596,043</u>
<u>114,564</u>	<u>1,277,852</u>
<u>\$ 114,564</u>	<u>\$ 1,319,331</u>



ROCKFORD HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2008  
=====

FDS Line Item No.		C-3010 Low Rent Program 14.850a	Capital Fund Program 14.872
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 179,149	\$
704	Tenant revenue-other	<u>2,548</u>	<u></u>
705	Total tenant revenue	181,697	
706	HUD PHA grants	50,047	9,872
706.1	Capital grants		44,701
711	Investment income-unrestricted	11,648	
714	Fraud recovery		
715	Other income	<u>3,149</u>	<u></u>
700	Total revenue	<u>246,541</u>	<u>54,573</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	46,610	
912	Auditing fees	1,500	
914	Compensated absences	2,098	
915	Employee benefit contributions-adm.	10,472	
916	Other operating-administrative	13,217	
	Tenant services:		
924	Other	1,837	
	Utilities:		
931	Water	9,451	
932	Electricity	41,527	
933	Gas	10,504	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	27,922	
942	Ordinary maint & oper-mat'ls & other	8,128	
943	Ordinary maint & oper-contract costs	18,287	
945	Employee benefit contributions	6,151	
	General expenses:		
961	Insurance premiums	11,135	
962	Other general expenses	371	
963	Payments in lieu of taxes	<u>10,473</u>	<u></u>
969	Total operating expenses	<u>219,683</u>	<u></u>
970	Excess operating revenue over operating expenses	<u>26,858</u>	<u>54,573</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 179,149
	<u>2,548</u>
	181,697
458,076	517,995
	44,701
	11,648
850	850
	<u>3,149</u>
<u>458,926</u>	<u>760,040</u>
27,824	74,434
1,500	3,000
	2,098
2,128	12,600
2,445	15,662
	1,837
	9,451
	41,527
	10,504
	27,922
	8,128
	18,287
	6,151
	11,135
678	1,049
	<u>10,473</u>
<u>34,575</u>	<u>254,258</u>
<u>424,351</u>	<u>505,782</u>

ROCKFORD HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended March 31, 2008  
 =====

FDS Line Item No.		C-3010 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
971	Extraordinary maintenance	9,778	
973	Housing assistance payments		
974	Depreciation expense	<u>77,734</u>	<u>1,300</u>
	Total other expenses	<u>87,512</u>	<u>1,300</u>
900	Total expenses	<u>307,195</u>	<u>1,300</u>
	<b>Other Financing Sources(Uses) :</b>		
1001	Operating transfers in	9,792	
1002	Operating transfers out		<u>( 9,792)</u>
1010	Total other financing sources(uses)	<u>9,792</u>	<u>( 9,792)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 50,862)	43,481
1103	Beginning Net Assets	<u>1,166,717</u>	<u>3,952</u>
	Ending Net Assets	<u>\$ 1,115,855</u>	<u>\$ 47,433</u>

Housing  
Choice  
Vouchers  
14.871

Totals

399,227  
399,227

9,778  
399,227  
79,034

399,227

488,039

433,802

742,297

25,124

17,743

89,440

1,260,109

\$ 114,564

\$ 1,277,852

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Board of Housing Commissioners  
Rockford Housing Commission  
Rockford, Michigan

I have audited the financial statements of the business-type activities of the Rockford Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated September 14, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified one deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Rockford Housing Commission  
Page Two

**Internal Control Over Financial Reporting (Continued)**

will not be prevented or detected by the Housing Commission's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The finding is referenced as Item 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2007-2.

I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated September 14, 2008.

The Housing Commission's response to the findings identified in my audit are described in the accompanying action plan. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Rockford Housing Commission  
Page Three

This report is intended solely for the information and use of management, others within the entity, the Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Samy E. Vandell, CPA, PC*

September 14, 2008

**Report on Compliance with Requirements  
Applicable To Each Major Program and  
on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Rockford Housing Commission  
Rockford, Michigan

**Compliance**

I have audited the compliance of the Rockford Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.



Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Rockford Housing Commission  
Page Two

**Compliance (continued)**

As described in item 2007-3 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding HQS Quality Control Inspections that is applicable to the Housing Choice Voucher program. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008.

**Internal Control Over Compliance**

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Rockford Housing Commission  
Page Three

**Internal Control Over Compliance (Continued)**

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The Housing Commission's response to the finding identified in my audit are described in the accompanying action plan. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry Standish, CPA*

September 14, 2008

ROCKFORD HOUSING COMMISSION  
**STATUS OF PRIOR AUDIT FINDINGS**  
March 31, 2008

=====

The prior audit report for the year ended March 31, 2007 contained no audit findings.

ROCKFORD HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
March 31, 2008  
=====

**SECTION I - SUMMARY OF AUDITOR RESULTS**

1. The Auditor's report expresses an unqualified opinion on the financial statements of Rockford Housing Commission.
2. There were two control deficiencies disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of the Rockford Housing Commission that were disclosed during the audit.
4. There were no reportable conditions in internal control over major federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Rockford Housing Commission expresses a qualified opinion on the Housing Choice Voucher program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Housing Choice Voucher program    CFDA No. 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Rockford Housing Commission was determined to be a low risk auditee.

ROCKFORD HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2008  
=====

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Low Rent Public Housing Program - CFDA No. 14.850a

**Finding Item 2007-1: Segregation of Duties**

*Criteria:* Code of Federal Regulations, Title 24, Volume 1, Revised as of January 1, 2007. Title 24, Section 85.20 Standards for financial management systems, Financial Administration. (3) Internal Control of Section 85.20, states that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Also, the U.S. Department of Housing and Urban Development Office of Public and Indian Housing, issued a desk reference guide on Internal Controls dated September 1992. Section III on page III-20 describes the separation of duties as the most critical internal control.

*Statement of Condition:* In the expenditure transaction, the preparation of checks is done by the executive director who also, can approve payments and sign the checks.

*Questioned Costs:* None

*Perspective Information:* The Housing Commission uses software to prepare the checks. The checks require two signatures and the second signor has the supporting documentation available for the commissioner to review. Also, the Board reviews the disbursements once a month at the board meeting.

*Cause:* The executive director is capable of performing all of these tasks.

*Effect or Potential Effect:* Although one employee might be capable of performing all of these tasks, he/she should not be allowed to do so. Separation of duties means that no employee should perform a complete sequence of tasks related to a transaction, particularly when the result is the collection or expenditure of funds.

*Recommendation:* I recommend that the Housing Commission have the executive directors assistant prepare all of the checks. This will provide one more control in the expenditure of funds.

ROCKFORD HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2008  
=====

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Low Rent Public Housing Program - CFDA No. 14.850a

**Finding Item 2007-2: Procurement Policy**

*Criteria:* 24 CFR 85 and HUD Handbook 7460.8 REV.2 (March 2007). Part 85 is the section of the Code of Federal Regulations, Title 24 that includes the administrative requirements for grantees receiving federal funds. Part 85 provides guidance on developing a procurement policy and system, important parts of a contract administration system, general guidance on the standard of conduct for PHA employees involved in procurement of goods and services, requirements for price and cost analysis. The handbook was revised in March 2007 and incorporates changes in Federal laws and regulations.

*Statement of Condition:* The Housing Commission has adopted a procurement policy, by resolution #10/04.01. I am unable to determine when the policy was adopted, it appears to be outdated, since \$5,000 is used as a micro-purchase when it now should be \$2,000 or less.

*Questioned Costs:* None

*Perspective Information:* The handbook has been updated to clarify, simplify, and update procurement requirements for public housing. It incorporates changes in Federal laws, regulations, and other instructions.

*Cause:* The Housing Commission either wasn't aware of the new revision or didn't believe it applied to them.

*Effect or Potential Effect:* The Housing Commission may not be entirely following Federal laws and regulations in the procurement area.

*Recommendation:* I recommend that the Housing Commission obtain the new handbook and adopt a new procurement policy to be in compliance. Also, documentation showing that a price analysis has been done for purchases over the small purchase amount should be done. Also, currently the small purchase threshold is \$25,000, but the Housing Commission is now allowed to crease this to as much as \$100,000, so this should be considered when adopting a new procurement policy.

ROCKFORD HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2008  
=====

**SECTION III - FEDERAL AWARD FINDINGS**

Housing Choice Voucher Program - CFDA No. 14.871

**Finding Item 2007-3: HQS Quality Control Inspections**

*Criteria:* 24 CFR 985.3 HQS Quality Control Inspections. This indicator shows whether a PHA supervisor or other qualified person reinspects a sample of units under contract during the PHA fiscal year, which meets the minimum sample size requirements specified at 985.2 under PHA's quality control sample, for quality control of HQS inspections. 24 CFR 985.3 specifies that a sample size of 5 is always needed and more once you get to over 50 units.

*Statement of Condition:* This fiscal year the Quality Control Inspections were not performed.

*Questioned Costs:* None

*Perspective Information:* The Housing Commission can have up to 90 vouchers at any one time. The sample to comply with the mandatory minimum quality sample required by 24 CFR 985.2 would be six.

*Cause:* The person that normally performs the reinspects had health issues this fiscal year.

*Effect or Potential Effect:* Since the PHA's quality inspections were not conducted within the required 90 day interval the Housing Commission's SEMAP score for Indicator No. 5 could be lowered.

*Recommendation:* The Housing Commission must establish an HQS quality control procedure to ensure that quality control HQS inspections are conducted within the required 90-day interval. For the minimum number of quality control records required by 24 CFR 985.2. The procedure must track the dates that HQS quality control and previous HQS inspections were conducted, should identify the cross-section of neighborhoods sampled throughout the jurisdiction, and should be supported by copies of both the HQS quality control and previous inspection records.

ROCKFORD HOUSING COMMISSION  
**CORRECTIVE ACTION PLAN**  
March 31, 2008  
=====

**Finding Item 2007-1: Segregation of Duties**

Statement of Condition: In the expenditure transaction, the preparation of checks is done by the executive director who also can approve payments and sign checks.

Corrective Action: The administrative assistant has been assigned the task of inputting and printing checks for invoices approved by the executive director. Checks will then be checked and signed by the director. A commissioner will then peruse the invoices and add the second signature.

This action has been instituted as of September 14, 2008.

**Finding Item 2007-2: Procurement Policy**

Statement of Condition: The Housing Commission has adopted a procurement policy, by resolution #10/04.01. I am unable to determine when the policy was adopted, it appears to be outdated since \$5,000 is used as a micro-purchase when it now should be \$2,000 or less.

Comment: The procurement policy was adopted in October 2004, and this date is reflected in the resolution number.

Corrective Action: The handbook 7460.8 REV2 has been printed and the following revisions to the Rockford Housing Commission Procurement Policy will be presented to the Board of Commissioners for approval and adoption: 1) The small purchase threshold will be increased from \$25,000 to \$100,000; 2) although not required, a Micro purchase of \$2,000 or less will be adopted and; 3) The Rockford Housing Commission will document a price analysis of any purchase over the small purchase threshold of \$100,000.

The Executive Director will submit the revised Procurement Policy to HUD with the 2008 Annual Plan.

**Finding Item 2007-3: HQS Quality Control Inspections**

Statement of Condition: This fiscal year the Quality Control Inspections were not performed.

Corrective Action: Six HQS quality control inspections are required each year. The Executive Director and/or the Administrative Assistant will perform these inspections in the odd months of the year and will ensure diversity in housing type and area. This schedule will be written into the Section 8 Administrative Plan and submitted with the 2008 Annual Plan.



ROCKFORD HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
March 31, 2008

=====

Electronic  
Submission  
Line #

Debit

Credit

114      Cash-tenant security  
         deposits  
111      Cash-unrestricted

\$      534

\$      534

ROCKFORD HOUSING COMMISSION  
INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2008

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

731 South Garfield Avenue  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

September 14, 2008

To the Board of Commissioners  
Rockford Housing Commission

I have audited the financial statements of the business-type activities of each major fund of the Rockford Housing Commission ("Housing Commission") for the year ended March 31, 2008, and have issued my report thereon dated September 14, 2008. Professional standards require that I provide you with the following information related to my audit.

**My Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133.**

As stated in my engagement letter dated August 28, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing my audit, I considered Rockford Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Rockford Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. Also in accordance with OMB Circular A-133, I examined, on a test basis, evidence about Rockford Housing Commission's compliance with the types of compliance requirements

**My Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133 (Continued)**

described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Rockford Housing Commission's compliance with those requirements. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination on Rockford Housing Commission's compliance with those requirements.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Rockford Housing Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending March 31, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There is no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of depreciation and allowance for bad debt were based on the useful life of the asset and the likelihood of collecting tenant rents based on prior experience. I evaluated the key factors and assumptions used to develop the depreciation expense and bad debt expense allowance in determining that they were reasonable in relation to the financial statements taken as a whole.

**Significant Audit Findings (Continued)**

*Qualitative Aspects of Accounting Practices (Continued)*

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures.

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated September 14, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those

**Significant Audit Findings (Continued)**

*Management Consultations with Other Independent Accountants  
(Continued)*

statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission personnel during the course of my work.

This information is intended solely for the use of the audit committee or its equivalent, management, HUD, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Barry E. Gaudette, CPA

ROCKFORD HOUSING COMMISSION  
**MANAGEMENT ADVISORY COMMENTS**  
March 31, 2008  
=====

**Cash Collections**

Tenants currently can pay their rent by cash, check, or order.

I recommend that the Housing Commission consider not allowing payments by cash. This would provide another internal control in the collection of rents.

**Certificate of Deposits**

The Housing Commission had several Certificate of Deposits

I recommend the Housing Commission implement a procedure of having the bank type, "two signatures required to withdraw the CD", on the certificate of deposit. This would provide an internal control to further safeguard the Housing Commission's assets.

**Tenant File Testing - Housing Choice Voucher Program**

I selected six tenant files at random from an Ad-hoc Tenant Report provided by the Housing Commission. I started with the tenth name and picked every twelfth name after that.

The results of my testing is as follows:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file of incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	0
5. Incorrect Verification of Assets	0
6. Inspection Report missing for fiscal or was incorrect	2
* 0132 Pass or Fail not marked	
* 0008 Pass or Fail not marked	
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	2
* 0123 missing	
* 0008 missing	
10. Copy of Proof of Social Security Number	0
11. Annual Review not done for fiscal year or not documented	0
12. Worksheet for HUD-50058 missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	0

ROCKFORD HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

March 31, 2008

=====

Tenant Files - Housing Choice Voucher Program (Continued)

	<u># of Exceptions</u>
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	0
16. Lead Based Paint Disclosure missing or incorrect	0
17. Check for Previous Eviction from Public Housing not done or incorrect	0
18. Request for Tenancy Approval not done or incorrect	0
19. Voucher not in file or it was incorrect	0
20. HAP Contract missing or incorrect	0
21. HAP Tenancy Addendum missing	1
* 0132 Not Attached	
22. Rent Reasonableness Test missing or incorrect	0
23. Inspection-Life Threatening Corrections made >24 hours	0
24. Inspection-Non-life Threatening Corrections made >30 days or past extension	0
25. Proper action not taken if (23) or (24) was violated	0
26. Annual Family Composition Review missing or incorrect	0
27. Copy of Birth Certificate missing	<u>0</u>
Total	<u>5</u>

Out of a possible a possible 162, there were only 5 exceptions from this test. This represents an exception rate of 3.09%. In the prior year the exception rate was 19.75%. The Housing Commission staff has made an significant improvement over the prior year.

All of the exceptions were corrected by the staff, before fieldwork was completed.